



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

JUN 27 2007

Milton Datsopoulos, Esq.  
Datsopoulos, MacDonald & Lind, P.C.  
201 W. Main Street, Suite 201  
Missoula, MT 59802

Re: MUR 5866  
Inland Northwest Space Alliance

Dear Mr. Datsopoulos:

On November 3, 2006, the Federal Election Commission ("Commission") notified your client, Inland Northwest Space Alliance ("INSA"), of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended. On June 20, 2007, the Commission found, on the basis of the information in the complaint, and information provided by your client, that there is no reason to believe INSA violated 2 U.S.C. §§ 441b(a) and 441f. Accordingly, the Commission closed its file in this matter.

Documents related to the case will be placed on the public record within 30 days. *See* Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003). The Factual and Legal Analysis, which more fully explains the Commission's finding, is enclosed for your information.

If you have any questions, please contact Roy Q. Luckett, the attorney assigned to this matter at (202) 694-1650.

Sincerely,

Thomasenia P. Duncan  
General Counsel

A handwritten signature in cursive script that reads "Susan L. Lebeaux".

BY: Susan L. Lebeaux  
Assistant General Counsel

Enclosure  
Factual and Legal Analysis

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1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

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4 **RESPONDENT:** Inland Northwest Space Alliance MUR 5866

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6 **I. INTRODUCTION**

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8 This matter involves allegations that Senator Conrad Burns earmarked taxpayer funds to the  
9 Inland Northwest Space Alliance ("INSA") with the understanding that INSA employees would  
10 make contributions to his campaign, and that INSA pressured its employees to make such  
11 contributions. As support, the complaint relies on a newspaper article that quotes an anonymous  
12 source stating that he was aware that INSA employees were pressured to give money to Burns' re-  
13 election campaign. INSA denies these allegations in response to the complaint. As discussed more  
14 fully below, because there is insufficient information upon which to initiate an investigation, the  
15 Commission found no reason to believe that INSA violated 2 U.S.C. §§ 441b and 441f and closed  
16 the file.

17 **II. FACTUAL AND LEGAL ANALYSIS**

18 **A. Facts**

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20 During his last term in office, Senator Conrad Burns earmarked through line item  
21 appropriations in various omnibus spending bills a total of \$3.3 million to the Northern Rockies  
22 Consortium for Space Privatization ("NRCSP"), a space research center established by the  
23 University of Montana. See Matt Gouras, *Lawmakers look at probe into UM's Space Center*,  
24 Billings Gazette, June 20, 2006. In 2003, the University of Montana created INSA, which was  
25 originally formed as a private, for-profit corporation, to be the primary sub-contractor for the

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1 NRCSP grant.<sup>1</sup> *See* Betsey Cohen and Jennifer McKee, *Firm with Burns ties landed no-bid*  
2 *contract*, Missoulian, May 28, 2006. In 2004, INSA converted into a nonprofit corporation. *Id.*

3 The complaint attaches an October 24, 2006 article featured in the Missoulian entitled  
4 “*Review unearths more problems at UM space program.*” *See* Attachment to the complaint.

5 According to that article, the Chairman of INSA’s board of directors commissioned a review by a  
6 Montana-based accounting firm with expertise in government contracts. That review, among other  
7 things, reportedly raised concerns that INSA may have used federal funds for lobbying, a violation  
8 of federal law. The article references an “unnamed” source—identified as “a former top  
9 administrator for INSA who was stationed in Washington D.C., in 2004 and 2005”—who reportedly  
10 stated that Leo Giacometto, Burns’ former chief-of-staff, had lobbied on behalf of INSA.<sup>2</sup> In further  
11 discussing INSA’s close relationship with Burns, the source is quoted as stating:

12 I was always told, and it was talked about freely among INSA employees,  
13 that everyone at INSA owed allegiance to Conrad Burns because he was  
14 funding everyone’s salaries. . . . There was great pressure on employees  
15 to give money to Burns’ re-election campaign.  
16

17 Relying on this reported quotation, the complaint alleges two potential FEC violations.  
18 First, it alleges that because “Sen. Conrad Burns was apparently directing taxpayer funds to INSA  
19 with the explicit or tacit understanding that employees of the firm would be campaign contributors,”  
20 this activity “violates the prohibition against providing money to others to effect political

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<sup>1</sup> According to Dun and Bradstreet, INSA became incorporated in the State of Montana on February 28, 2003.

<sup>2</sup> According to press accounts, INSA paid hundreds of thousands of dollars in no-bid contracts to two companies affiliated with Giacometto: Compressus, a software company (at one time he was Vice-President and head of its lobbying department); and Gage, a lobbying company of which he is the founding partner. *See* Jennifer McKee, Betsy Cohen, *UM company spent cash on business tied to Burns*, Billings Gazette, May 28, 2006. Giacometto and other associates at Gage made contributions to Burns’ campaign committee, and Burns is currently employed there. However, there is no information implicating Giacometto or Gage in a reimbursement scheme involving contributions to Burns from INSA employees.

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contributions.” *See* 2 U.S.C. § 441f. Second, the complaint alleges that because “[e]mployees of INSA were being pressured by their employers to contribute to Burns with the specter of their jobs hanging over their heads,” this activity “violates the FEC prohibition of making corporate contributions and making contributions in the name of another.” *See* 2 U.S.C. §§ 441b and 441f.

**B. Analysis**

The Federal Election Campaign Act of 1971, as amended (the “Act”), prohibits corporations such as INSA from making contributions from their general treasury funds in connection with a federal election. *See* 2 U.S.C. § 441b(a). Corporations (including officers, directors or other representatives acting as agents for the corporation) also are prohibited from facilitating the making of contributions, including through the use of coercion. 11 C.F.R. § 114.2(f)(2)(iv). The Act also provides that no person shall make a contribution in the name of another person or knowingly permit his or her name to be used to effect such a contribution, and that no person shall knowingly accept a contribution made by one person in the name of another person. *See* 2 U.S.C. § 441f. This prohibition extends to persons who knowingly help or assist in making such contributions. *See* 11 C.F.R. § 110.4(b)(1)(iii).

The complaint, though not entirely clear, refers to an “illegal reimbursement scheme” and theorizes that a section 441f scheme may have occurred through Burns’ earmarking of funds to INSA, with the understanding that INSA employees would use these funds, in part, to contribute to Burns’ campaign committee, Friends of Conrad Burns – 2006 and James Swain, in his official capacity as treasurer (the “Committee”). The complaint also alleges illegal corporate contributions, based on a theory that INSA employees were coerced to contribute to Burns’ campaign under the threat of detrimental job action. *See* 11 C.F.R. § 114.2(f)(2)(iv).

Respondent unequivocally denies the allegations set forth in the complaint. INSA contends that it “did not, in any way, make a corporate contribution to Senator Burns’ re-election campaign,” and that “[c]ontributions from [its] employees to Senator Burns’ re-election campaign were done personally, voluntarily, and willingly, and without threat of coercion from [INSA].” INSA Response at 2. In so doing, INSA does not provide factual information to support these assertions, including how the corporation knows the circumstances surrounding the making of the contributions, whether the corporation solicited the contributions, and, if so, whether it took appropriate steps to ensure the contributions were voluntarily made. INSA also states “there was absolutely no understanding or agreement between INSA and Senator Burns that taxpayer funds directed to INSA would result in political contributions to Senator Burns’ re-election campaign from INSA or its employees.” *Id.*

On balance, the complaint’s section 441f theory is tenuous. It contains no first-hand information and does not identify any contributors who gave contributions to Burns’ campaign that may have been reimbursed. Rather, it speculates that a reimbursement scheme occurred based solely on an unidentified former INSA employee’s reported statements that “everyone at INSA owed allegiance to Conrad Burns because he was funding everyone’s salary,” and “[t]here was great pressure on [INSA] employees to give money to Burns’ re-election campaign.” However, the quoted statements do not assert that INSA employees actually made such contributions, or if they did, that they were reimbursed, or that the funds they used to make contributions were not wholly their own to use as they so chose. We have found no public information suggesting that INSA employees used anything other their own personal funds to make the contributions, and the fact that government funding may have helped provide for their salaries, which they later used to make the

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1 contributions, does not mean that the salaries paid were not the personal funds of the employees.

2 The complaint's corporate facilitation theory is also unconvincing. It does not provide any  
3 support for corporate facilitation through coercion other than the aforementioned article, which does  
4 not identify the source or any other sources that may be able to explain if, or how, INSA employees  
5 were allegedly "pressured" to contribute to the Committee. In short, the corporate facilitation theory  
6 rests wholly on speculation.

7 Indeed, the available public information does not corroborate either theory. Both theories  
8 depend on INSA employees contributing to Burns' campaign. The FEC disclosure database,  
9 however, reveals only a small number of INSA employees or possible employees that made  
10 contributions to the Committee. These contributions, which were made on various dates between  
11 2003-2006, and were made by one employee and four executives, were not especially large, and  
12 except for INSA's Executive Director, none of these individuals contributed to Burns more than  
13 once.<sup>3</sup>

14 What we are left with is an unnamed source who reportedly spoke of unspecified "pressure"  
15 on INSA employees to contribute to Burns' campaign.<sup>4</sup> As noted, there were very few contributions  
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<sup>3</sup> The Committee's FEC disclosure reports show only one contribution from an INSA employee, a September 30, 2005 contribution in the amount of \$500 from Michael Britzius. Nevertheless, because we could not rule out other contributions, given that the Committee's amended reports did not disclose complete contributor information and the complaint did not identify any specific contributions, we researched publicly available sources and found the names of approximately 20 INSA employees or possible employees. Our cross-reference of these names with the FEC's donor database turned up contributions from the following INSA directors or executives: George Bailey, whose employer information on the Committee's reports is listed as the "University of Montana," was simultaneously the Executive Director and President of INSA at the time that he made five contributions to the Committee totaling \$3,150 from 2003 through 2005; INSA Board Chairman Milt Datsopoulos, whose law firm is listed in the employer information on the Committee's reports, made a \$250 contribution on April 25, 2005; Keely Burns, daughter of Conrad Burns who reportedly attended only one organizational board meeting, made the lone 2006 contribution in the amount of \$500 on October 18<sup>th</sup>; and then INSA business manager Rollene "Lucy" Chesnut (spelled "Chasnut" on the Committee's reports with no employer information), who made a \$250 contribution on September 23, 2004.

<sup>4</sup> We have been unable to identify this source through publicly available information.

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1 from INSA employees to Burns during the three-year period in which he earmarked funds to INSA.  
2 Further, the specific and unequivocal denials of the Respondent, while unsworn and conclusory,  
3 sufficiently rebut the speculative complaint. The Commission has stated that “unwarranted legal  
4 conclusions from asserted facts or mere speculation will not be accepted as true,” and “[s]uch purely  
5 speculative charges, especially when accompanied by a direct refutation, do not form an adequate  
6 basis to find reason to believe that a violation of the FECA has occurred.” Statement of Reasons,  
7 MUR 4960 (Hillary Rodham Clinton for Senate Exploratory Committee, issued December 21,  
8 2000) (citations omitted). Accordingly, there is insufficient evidence to initiate an investigation in  
9 this matter.

10 Therefore, there is no reason to believe that the Inland Northwest Space Alliance violated  
11 2 U.S.C. §§ 441b and 441f.

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